

Message Text

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ACTION XMB-07

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R 050842Z JUN 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2383

INFO AMEMBASSY BANGKOK

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DEPT PASS EX-IM BANK

E.O. 11652: NA

TAGS: EAID JA TH

SUBJ: STATUS OF JAPAN'S SECOND YEN LOAN TO THAILAND

1. ON MAY 15 EMBOFF REVIEWED WITH SEZAKI OF FIRST ECONOMIC COOPERATION DIVISION, FONOFF, STATUS OF JAPAN'S SECOND YEN LOAN OF YEN 64 BILLION TO THAILAND WHICH HAD BEEN PROMISED IN APRIL 1972. BREAKDOWN OF LOAN, AND STATUS OF EACH COMPONENT, IS AS FOLLOWS, ACCORDING TO SEZAKI WHO ASKED INFORMATION BE TREATED AS CONFIDENTIAL.

2. YEN 12 BILLION PROJECT LOAN TO BE EXTENDED BY JAPAN EX-IM BANK AT FIVE PERCENT WITH TWENTY-FIVE YEAR REPAYMENT INCLUDING SEVEN YEARS' GRACE. ONE-HALF OF THIS LOAN (YEN SIX BILLION) HAS BEEN COMMITTED FOR METROPOLITAN AREA TELEPHONE PRLJECTS. IT IS ANTICIPATED THAT NOTES FOR OTHER ONE-HALF, WHICH IS TO BE USED FOR TELEPHONE SYSTEM EXPANSION WORK IN BANGKOK, WILL BE EXCHANGED SOON. AS RESULT TANAKA VISIT TO THAILAND IN JANUARY 1974, INTEREST ON ONE-HALF OF THIS LOAN WILL BE REDUCED FROM FIVE PERCENT TO FOUR PERCENT. (SEZAKI DID NOT MAKE CLEAR WHETHER REDUCTION WOULD APPLY ONLY TO ONE-HALF LIMITED OFFICIAL USE

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NOT YET AGREED TO OR BE APPLIED IN SOME FASHION TO BOTH

HALVES.) GOJ HAS ALSO AGREED THAT LOAN WILL BE UNTIED.

3. YEN 34 BILLION PROJECT LOAN TO BE EXTENDED BY OVERSEAS ECONOMIC COOPERATION FUND (OECF) AT 3.25 PERCENT WITH 25 YEARS(REPAYMENT INCLUDING SEVEN YEARS' GRACE. ONE-HALF OF THIS LOAN HAS BEEN COMMITTED FOR DAM AND POWER PROJECTS, AND IT IS EXPECTED THAT THE SECOND HALF WILL BE COMMITTED FOR POWER TRANSMISSION AND HIGHWAY PROJECTS SOON. SIMILARLY TO LOAN DESCRIBED PARA 2 ABOVE, INTEREST RATE ON ONE-HALF THIS LOAN WILL BE REDUCED FROM ORIGINALLY PROMISED 3.25 PERCENT LEVEL TO 2.75 PERCENT. LOAN WILL BE UNTIED.

4. YEN 10 BILLION LOAN TO BE EXTENDED BY EX-IM BANK AT 5.25 PERCENT INTEREST WITH 20 YEARS' REPAYMENT INCLUDING SEVEN YEARS' GRACE. THIS IS TO BE TWO STEP QUOTE INDUSTRIAL COOPERATION UNQUOTE LOAN, BUT THERE HAS BEEN NO PROGRESS TOWARDS IMPLEMENTATION TO DATE.

5. YEN 8 BILLION LOAN TO BE EXTENDED BY OECF AT RATES FROM 3.75 TO 4.25 PERCENT INTEREST WITH 20 YEARS' REPAYMENT INCLUDING SEVEN YEARS' GRACE. THIS LOAN IS TO BE TWO-STEP LOAN TO THAI BANK OF AGRICULTURE AND IS TO BE COMPLETELY UNTIED (THOUGH MOST PURCHASES UNDER IT ARE EXPECTED TO BE LOCAL(? BUT THERE HAS BEEN NO PROGRESS TOWARDS IMPLEMENTATION.

6. EMBASSY RECEIVED INQUIRY FROM COLLINS RADIO REP IN TOKYO ASKING WHETHER GOJ WOULD BE MAKING LOAN FOR THAI TELEPHONE PROJECTS. AS MATTER STILL UNDER NEGOTIATION BETWEEN GOJ AND RTG AND INFO GIVEN EMBOFF IN CONFIDENCE, EMBOFF INFORMED COLLINS REP HE UNABLE PROVIDE COMPLETE DETAILS BUT DREW ON NEWSPAPER ARTICLES TO EXPLAIN TOTAL OF YEN 46 BILLION IN PROJECT LOANS TO BE GRANTED BY OECF AND EX-IM, PROJECTS TO BE FINANCED INCLUDE TELEPHONE NETWORK EXPANSION (EX-IM), LOANS UNTIED, OECF TERMS TO BE 3.25 PERCENT - 25(7), AND EX-IM RATE REPORTEDLY FIVE PERCENT.
SHOESMITH

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